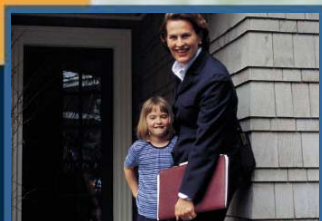


Effects of IDAs on Low-Income Asset-Building: Estimates from the Assets for Independence Act

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AFI Program Background

- Assets for Independence (AFI) Act enacted in October 1998, authorizing up to \$25 million annually for individual development account (IDA) demonstration projects.
- Grants awarded for five-year projects operated by qualifying non-profit organizations, state or local agencies, tribal organizations, and financial institutions.
- Program provides matching funds when accountholders make IDA withdrawals for authorized purposes: home purchase, business capitalization, postsecondary education, or transfers to IDAs of other eligible persons.
- Household income eligibility limit: 200 percent of the federal poverty level.

Evaluation Background

- Section 414(a) of the AFI statute mandated a program evaluation, to be conducted by an independent research organization.
- Evaluation funding provided through the annual Congressional appropriation for the AFI Program.
- This evaluation included both a process study and an impact study.

Impact Study: Research Questions

For AFI program participants, what are the effects of individual development accounts (IDAs) on . . . ?

- Homeownership, business ownership, and postsecondary educational advancement.
- Major components of household net worth: financial assets, home equity, and consumer debt.
- Employment and income: whether employed, amount of monthly earnings, and receipt of means-tested benefits (public assistance, Food Stamps, or Medicaid).

Impact Study: Overview of Findings

Estimated program effects on AFI participants (as measured three years after account opening, versus program-eligible nonparticipants with similar demographic characteristics):

- Significantly higher rates of homeownership, business ownership, and postsecondary educational advancement.
- Slightly higher likelihood of remaining employed.
- No significant effect on major components of net worth or receipt of means-tested benefits.

Impact Study: Design

Program effects were estimated by comparing outcome measures for AFI participants and AFI-eligible nonparticipants, based on a three-year follow-up period for:

- ***A national sample of 600 AFI participants*** who opened accounts during calendar year 2001, 485 of whom (81%) completed interviews in the final survey wave conducted three years after account opening.
- ***A matched comparison group of 485 AFI-eligible nonparticipants*** drawn from the 2001 panel of the Survey of Income and Program Participation (SIPP).

Survey Data Sources

- ***AFI Participant Survey*** conducted by Abt Associates: telephone interviews over three years, at 12-month intervals after account opening (January-December 2001)
- ***Survey of Income and Program Participation*** (SIPP) conducted by U.S. Census Bureau (2001 panel): in-person interviews over three years, at 4-month intervals after sample entry (October 2000-January 2001)

Other Data Sources

- ***Account-level data (from AFI grantees):*** Participant-level information on IDA deposits, withdrawals, match funds received, and account balances
- ***Project-level data (from AFI grantees):*** AFI project features, including grantee agency type, matchable savings periods and amounts, match rates, and required hours of financial education
- ***Area-level data (from 2000 Census):*** median annual household income, median housing price, poverty rate, and unemployment rate

Comparative Profile: AFI Participant Sample Versus Matched Comparison Group

Baseline Characteristic	AFI Participant Sample (n=485)	Matched Comparison Group (n=485)
Gender		
Male	17.6%	18.8%
Female	82.4%	81.2%
Race/Ethnicity		
Non-Hispanic Black	46.5%	42.3%
All Other	53.5%	57.7%
Age		
18 to 34	50.5%	47.5%
35 or older	49.5%	52.5%
Marital Status		
Currently or previously married	60.6%	61.8%
Never married	39.4%	38.2%
Education		
High school diploma/GED or less	44.8%	45.2%
More than high school diploma/GED	55.2%	54.8%
Checking/Savings Account^a		
Yes	57.2%	51.8%
No	42.8%	48.2%

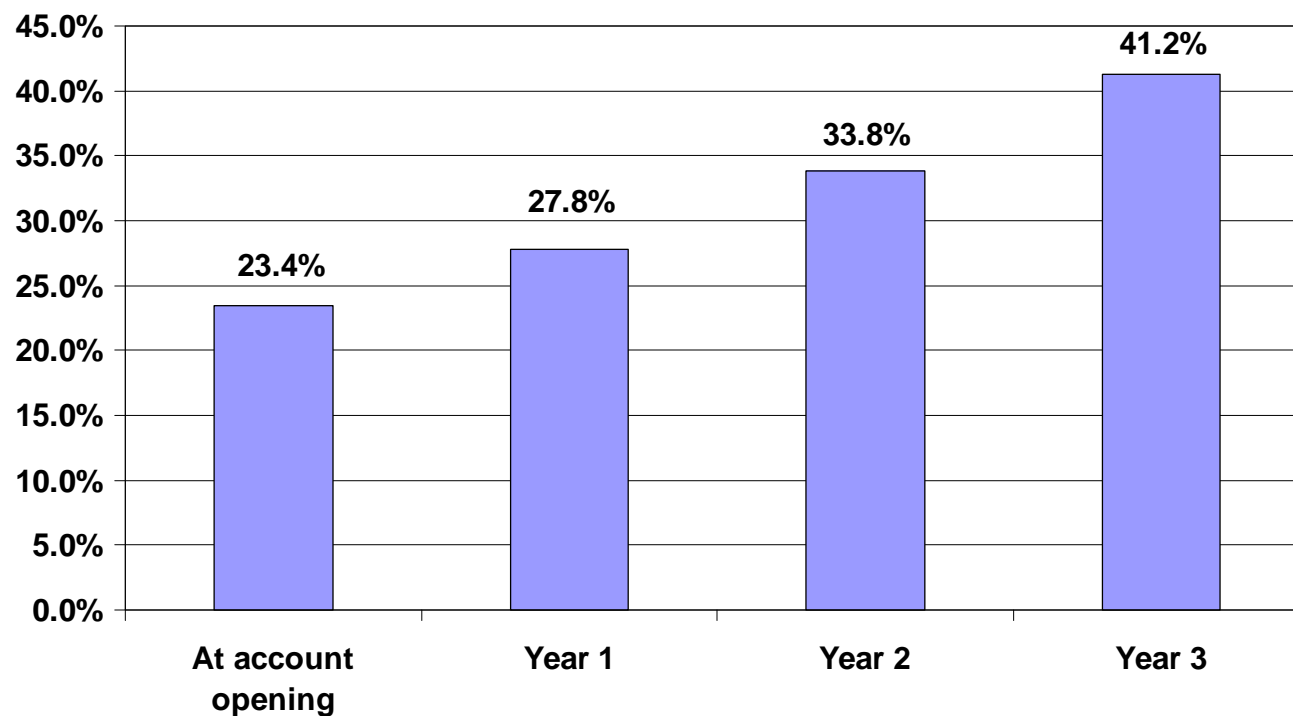
a. For this characteristic, there is a statistically significant difference between the participant sample and matched comparison group in their distribution across subcategories.

Comparative Profile: AFI Participant Sample Versus Matched Comparison Group (*Continued*)

Baseline Characteristic	AFI Participant Sample (n=485)	Matched Comparison Group (n=485)
Homeowner		
Yes	22.9%	24.9%
No	77.1%	75.1%
Business Owner		
Yes	15.2%	13.3%
No	84.8%	86.7%
Employed		
Yes	89.1%	90.7%
No	10.9%	9.3%
Monthly Household Earnings		
Average	\$1,465	\$1,376
Receiving Means-Tested Benefits		
Yes	36.0%	33.9%
No	64.0%	66.1%
Location		
Metropolitan	78.1%	75.4%
Nonmetropolitan	21.9%	24.6%

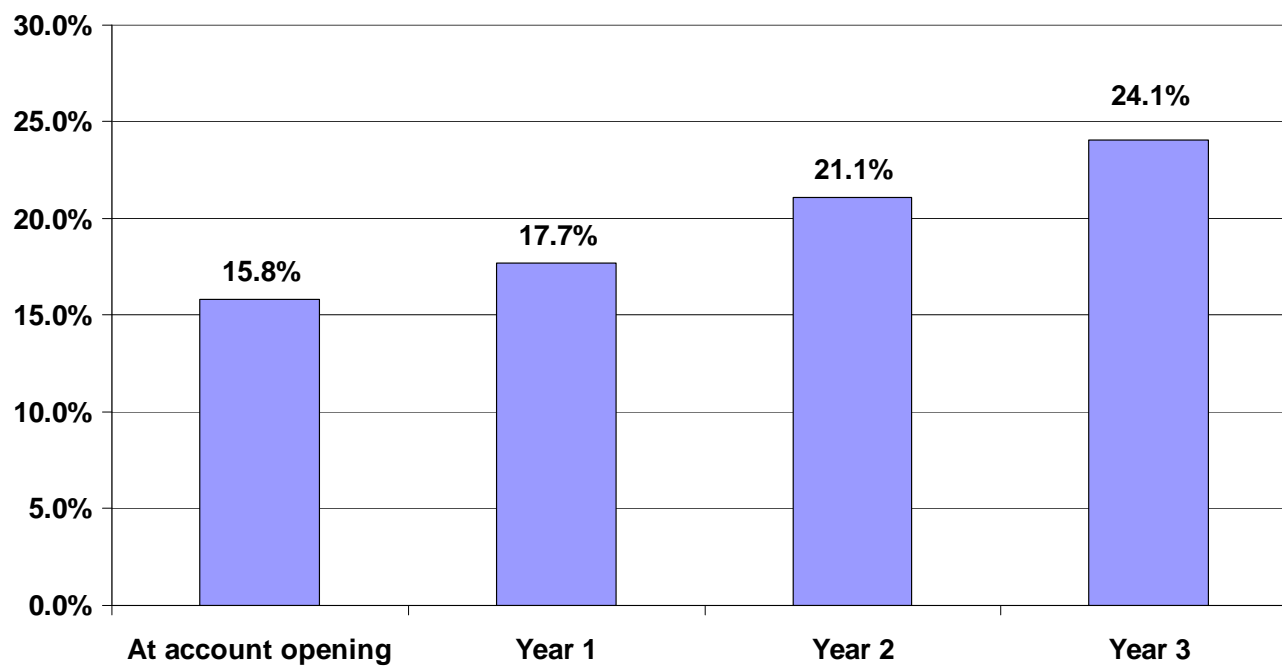
Year-by-Year Pattern of Homeownership: AFI Participants

Homeownership Rate for AFI Participants,
by Year Since Account Opening



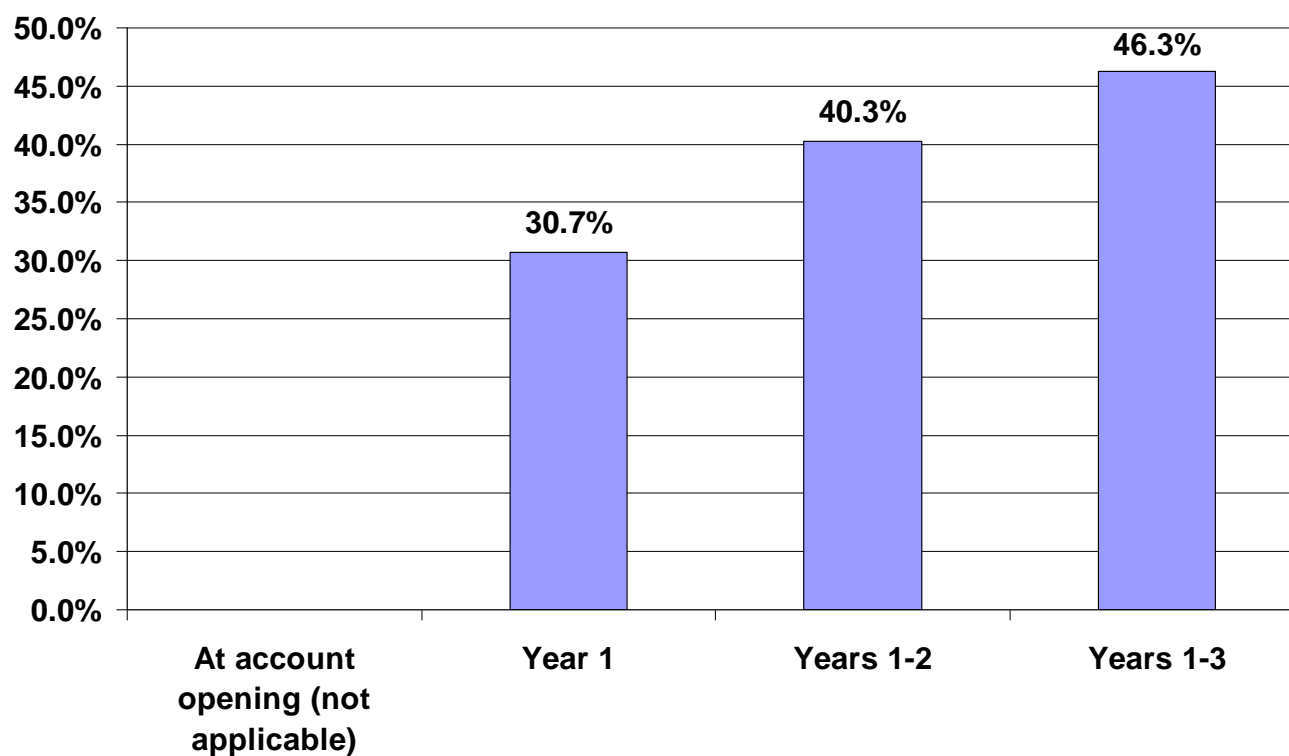
Year-by-Year Pattern of Business Ownership: AFI Participants

Business Ownership Rate for AFI Participants,
by Year Since Account Opening



Year-by-Year Pattern of Postsecondary Educational Advancement: AFI Participants

Cumulative Percent of AFI Participants Enrolled in Any Postsecondary Education After Account Opening



Program Effects on Asset-Related Outcomes

AFI participants experienced significantly higher rates of homeownership, business ownership, and postsecondary educational advancement, versus the comparison group.

Third-year outcome	Comparison Group Mean	Program Effect
Homeownership	31.1%	+10.9%**
Business ownership	11.9%	+10.0%***
Postsecondary educational advancement	22.3%	+21.2%***

Statistical significance of program effect: * indicates 90% confidence, ** indicates 95% confidence, and *** indicates 99% confidence that the effect is nonzero.

Program Effects on Net Worth

For AFI participants, there were no significant effects on major components of net worth.

Third-year outcome	Comparison Group Mean	Program Effect
Financial assets	\$1,495	-\$529
Home equity	\$18,121	-\$1,484
Consumer debt	\$8,698	-\$774

Statistical significance of program effect: * indicates 90% confidence, ** indicates 95% confidence, and *** indicates 99% confidence that the effect is nonzero.

Program Effects on Employment and Income

AFI participants had a slightly higher likelihood of employment, but with no effect on monthly earnings or receipt of means-tested benefits. (The effect on employment was not significant in some alternative estimates.)

Third-year outcome	Comparison Group Mean	Program Effect
Employed	80.6%	+4.9%*
Monthly earnings	\$1,581	+\$167
Received means-tested benefits	32.7%	+2.4%

Statistical significance of program effect: * indicates 90% confidence, ** indicates 95% confidence, and *** indicates 99% confidence that the effect is nonzero.

Program Effects on Asset-Related Outcomes: Variation by Individual Characteristics

- ***Homeownership:*** Program effect differed by geographic region, more pronounced among East North Central metropolitan cases and Midwest nonmetropolitan cases.
- ***Business ownership:*** Program effect was less pronounced for never-married persons and more pronounced for those with higher household income.
- ***Postsecondary educational advancement:*** Program effect was more pronounced for those with a high school diploma or GED, as one would expect.

Influence of Project-Level or Area-Level Characteristics on Asset-Related Outcomes

- Characteristics of ***AFI projects*** in which participants are more likely to experience favorable asset-related outcomes:
 - For homeownership: shorter maximum savings period
 - For business ownership: higher match rate
 - Note: no systematic influence for agency type, maximum matchable savings amount, required hours of financial education
- Characteristics of ***local areas*** in which participants are more likely to experience favorable asset-related outcomes:
 - For business ownership: higher poverty rate
 - For postsecondary educational advancement: lower unemployment rate
 - Note: no systematic influence for median household income or median housing price

Interpretation of Estimated Program Effects

- The estimated effects could be regarded as upper-bound estimates, as AFI participants may be inherently more motivated and upwardly mobile than their matched nonparticipants.
- The effect on the rate of homeownership (10.9% at year 3) is somewhat larger than the estimates from the Tulsa IDA experiment (6.9 –10.8% at year 4).